

## Message Text

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PAGE 01 STATE 171829

61

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FM SECSTATE WASHDC

TO AMEMBASSY COPENHAGEN

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

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E.O. 11652: GDS

TAGS: DA, EGEN, ENRG

SUBJECT: DANISH AMBASSADOR BARTELS CALLS ON ASSISTANT  
SECRETARY ENDERS

DANISH AMBASSADOR BARTELS CALLED AUGUST 6 ON

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PAGE 02 STATE 171829

ASSISTANT SECRETARY ENDERS FOR A GENERAL DISCUSSION

OF THE FOLLOWING TOPICS:

1. INFLATION - BARTELS DISCUSSED WHAT HE DESCRIBED AS THE TOUGH ANTI-INFLATIONARY POLICIES BEING FOLLOWED IN THE US, THE FRG AND, TO A LESSER EXTENT, THE UK. BARTELS WAS CRITICAL OF THESE POLICIES AND IMPLIED THAT DENMARK WOULD FACE SERIOUS POLITICAL AND ECONOMIC PROBLEMS IF FORCED TO FOLLOW SUIT. BARTELS ADDED THAT INFLATION IS THE PRICE OF DEMOCRACY SINCE FULL EMPLOYMENT OBJECTIVES MADE INFLATION INEVITABLE.

2. OIL PRICES - BARTELS REVIEWED PAST US GOVERNMENT STATEMENTS ABOUT OIL PRICES AND ASKED IF WE HAD NOT BACKED DOWN FROM OUR PREVIOUS GOAL OF LOWERING OIL PRICES. ENDERS SAID NO, OIL PRICES ARE TOO HIGH AND MUST BE GOTTEN DOWN. ENDERS SAID THE COMING SAUDI AUCTION WOULD BE A KEY TO FUTURE OIL PRICES. WE SHOULD, SAID ENDERS, ARRIVE AT A SITUATION WHERE THE CONSUMING COUNTRIES STATE A MAXIMUM PRICE THEY WOULD COLLECTIVELY BE WILLING TO PAY FOR OIL AND THEN BE PREPARED TO CUT BACK CONSUMPTION

IF THE PRODUCERS DID NOT ACCEPT THAT PRICE.

3 UK RENEGOTIATION - BARTELS SAID THAT HE HOPED THE US WOULD NOT ATTEMPT TO ENTICE THE BRITISH OUT OF THE EC. IF BRITAIN SHOULD WITHDRAW FROM THE EC IT WOULD CAUSE DENMARK SERIOUS POLITICAL PROBLEMS. NOT ONLY WOULD DENMARK FEEL LESS COMFORTABLE IN AN EC DOMINATED BY GERMANY AND FRANCE, WITHOUT THE UK COUNTERWEIGHT, BUT UK WITHDRAWAL WOULD CREATE PRESSURES IN DENMARK TO WITHDRAW. ALTHOUGH THERE ARE STRONG ECONOMIC REASONS WHY DENMARK SHOULD STAY IN THE EC, BARTELS ADDED, THE DANISH PUBLIC WAS VERY MUCH AWARE OF THE NORWEGIAN EXAMPLE -- A COUNTRY WHICH STAYED OUT OF THE EC AND IS PROSPERING. ENDERS SAID THAT THE US WAS NOT CONSIDERING ANY SORT OF ECONOMIC ALTERNATIVE FOR THE BRITISH SHOULD THEY DECIDE TO WITHDRAW. THE DECISION WAS ONE FOR THE BRITISH AND WE WOULD NOT INTERVENE. ENDERS ASKED BARTELS WHAT HE THOUGHT THE TIMETABLE FOR THE UK'S RENEGOTIATION WOULD BE. BARTELS LIMITED OFFICIAL USE

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PAGE 03 STATE 171829

SAID THAT THE TALKS WOULD CERTAINLY HAVE TO TAKE PLACE AFTER THE BRITISH ELECTIONS. THE FRENCH AND THE GERMANS STRONGLY OPPOSE THE BRITISH ON THIS, BUT DENMARK WOULD LIKE TO FIND SOME FACE-SAVING WAY OUT FOR THE BRITISH. ENDERS SAID THAT THE BRITISH HAD SERIOUS BUDGETARY AND CAP PROBLEMS WITH THE PRESENT ARRANGEMENT. BARTELS AGREED AND SAID THAT THE DANISH POSITION WAS THAT THE CAP AS A SYSTEM WAS SATISFACTORY BUT CHANGE

WAS NECESSARY.

4. RECYCLING - BARTELS SAID THAT SOME WITHIN THE USG TOOK THE VIEW THAT THE MARKET WOULD TAKE CARE OF RECYCLING. DID THE STATE DEPARTMENT, HE ASKED, HAVE A MORE ORGANIZED APPROACH UNDER CONSIDERATION? ENDERS SAID YES, WE ARE CONSIDERING A MORE ORGANIZED APPROACH. ONE PROBLEM IS WHETHER THE FINANCIAL MARKETS, THE EURO MARKET AND NEW YORK, WILL BE ABLE TO ABSORB THE ENORMOUS AMOUNT OF PAPER THAT WILL RESULT. ENDERS SAID HE THOUGHT SO. DISCOUNTS IN THE LONDON MARKET FOR LONG-TERM PAPER WERE ALREADY IMPRESSIVE. IN THE NEAR FUTURE, HOWEVER, THE FLOW OF RECYCLED FUNDS WILL PROBABLY PROVE TO BE TOO MUCH FOR LONDON AND THERE WILL BE A SHIFT TO GERMANY AND THE US. THESE FUNDS MUST EVENTUALLY BE RECYCLED AND IF THE EC WILL NOT DO IT THEN PERHAPS A MORE INSTITUTIONALIZED SWAP NETWORK WOULD BE NECESSARY. IN ADDITION, ENDERS SAID, ALTHOUGH THE TRADITIONAL 90-DAY SWAP NOTE WAS VERY USEFUL, LONGER MATURITIES -- PERHAPS 2-3 YEARS -- WOULD BE NECESSARY.

BARTELS SAID THAT ALTHOUGH LENDING BY THE EC WAS A POSSIBILITY HE FOUND THE BRUSSELS BUREAUCRACY TERRIFYING BECAUSE IT WOULD PROBABLY NOT BE ABLE TO LEND WITHOUT ATTEMPTING TO CONTROL HOW THE PROCEEDS WERE SPENT.

5. US-EC RELATIONS - BARTELS MADE THE POINT THAT EC UNITY RESTED ON A FRAGILE BASIS AND THAT THE US HAD MADE A GREAT MISTAKE IN BELIEVING EUROPE WAS MOVING TOO FAST TOWARD POLITICAL UNITY. THE EC IS WEAK, HE SAID, AND THE SITUATION HAS CHANGED DRAMATICALLY SINCE THE SECRETARY'S APRIL 1973 SPEECH. DURING THE INTERVENING YEAR AND ONE HALF THE NINE HAD BEEN LIMITED OFFICIAL USE

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PAGE 04 STATE 171829

WEAKENED AND THE US HAD GROWN RELATIVELY STRONGER.

HE WAS GLAD TO HEAR THAT THE US WAS THINKING VERY SERIOUSLY ABOUT RECYCLING, WHICH HE BELIEVED WAS FAR MORE IMPORTANT THAN ATTEMPTING TO CONTROL INFLATION.

6. DANISH SITUATION - BARTELS SAID THAT DENMARK WOULD TRY TO GET RID OF THE NON-OIL PORTION OF ITS BALANCE OF PAYMENTS DEFICIT BY 1975. DENMARK COULD MANAGE, HE SAID, BUT IT WOULD BE DIFFICULT POLITICALLY. THE OIL PORTION OF THE DEFICIT, HOWEVER, COULD NOT BE MANAGED AT THE PRESENT TIME. DENMARK WOULD NEED HELP. SOME OF THE PROBLEMS WERE OF DENMARK'S OWN MAKING -- FIVE YEARS OF BAD POLITICAL LEADERSHIP AND A POORLY ORGANIZED CAPITAL MARKET WERE BASIC CAUSES. ENDERS

SAID PERHAPS ONE APPROACH IN THE FUTURE WOULD BE AN AGREEMENT AMONG THE OIL IMPORTERS TO DIVIDE UP THE DEFICIT.

7. TRADE BILL- ENDERS SAID HE WAS QUITE ENCOURAGED ABOUT THE PROSPECTS FOR THE TRADE BILL. SENATOR LONG WILL RETURN TO WASHINGTON ON AUGUST 17 AND WE BELIEVE THAT THE SENATE WILL DO SOME SERIOUS WORK ON THE BILL DURING THE LAST TWO WEEKS IN AUGUST. THE SECRETARY HAD TALKED WITH SENATOR JACKSON ABOUT THE JACKSON-VANIK AMENDMENT AND ALTHOUGH THE PROBLEM REMAINS, WE WERE MAKING PROGRESS. KISSINGER

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